Washington Post: Familiar Back and Forth with Oil Executives

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Facing unhappy members of the House Select Committee on Energy Independence and Global Warming, executives from five giant oil companies yesterday sought to portray their firms as part of the energy solution, not the energy problem. And they put part of the blame for high oil prices on the federal government, lamenting obstacles to offshore drilling.

But the lawmakers took aim at the oil companies and the record profits they recorded last year.

"I believe the laws of supply and demand when it comes to oil and gas are broken and completely malfunctioning," said Rep. John B. Larson (D-Conn.).

"Your approval ratings are down lower than ours, and that means you are down low," said Rep. Emanuel Cleaver II (D-Mo.). Conversations with his constituents during the spring recess suggested that "the anger level is rising significantly," Cleaver said.

Rep. Edward J. Markey (D-Mass.), chairman of the committee, noted before the hearing that the national average price for regular unleaded gasoline set a record -- $3.287 a gallon -- on Monday. "Today, on April Fool's Day, consumers all over America are hoping that the top executives from the five largest oil companies will tell us that these soaring gas prices are just part of some elaborate hoax," he said in a written statement.

The criticism was bipartisan. Rep. Candice S. Miller (R-Mich.) said big oil companies have "to do the right thing" with their profits or face a backlash from "customers who are sick and tired of paying high prices."

But
the oil executives turned some of the blame back on the lawmakers, complaining that Congress and past administrations had barred oil companies from drilling in much of the Outer Continental Shelf.

John D. Hofmeister, president of Shell Oil
, noted that U.S. oil and gas production has dropped steadily for two decades: "Why? Because government policies place domestic oil and gas resources off-limits." Other executives said that many offshore prospects had not been examined with new technology.

The
executives said other factors driving up oil prices were rising demand in developing nations, the weak dollar, investments flowing into commodities of all sorts, and the small amount of excess production capacity worldwide.

"Every time there's a little disruption or potential disruption, there's a blip in the price," Peter J. Robertson, vice chairman of Chevron, said in an interview before the hearing.

The
executives also criticized a tax package passed by the House that would extend tax breaks for solar and wind projects and pay for them largely by eliminating a break for the five biggest international oil companies.

"Raising
taxes on oil and gas production to subsidize alternatives will likely lead to less energy production, not more," said J. Stephen Simon, senior vice president at Exxon Mobil.
(The House bill would not change tax rates on oil and gas production but would prevent the oil companies from sharing a cut in income tax rates given in 2004 to all U.S. firms deemed to be manufacturers.)

Markey
quarreled with Simon over Exxon Mobil's lack of investment in alternative energy projects. Simon said Exxon Mobil was giving Stanford University $100 million over 10 years to research "breakthrough" technologies.

"OPEC has us over a barrel and you're saying you're going to study the issue," Markey retorted. Markey defended the House energy-tax package, which is awaiting action in the Senate.

"You can't have it both ways, Mr. Simon," Markey said. "You can't be nickel-and-diming renewables at Exxon Mobil and simultaneously fighting our efforts to move over the resources to renewables to help this country break its dependence on foreign oil."

The executives said they were focused on meeting rising U.S. demand for petroleum products. "With all the work on alternative energy, the United States will consume more natural gas, oil and coal in 2030 than it does today," said Robert A. Malone, head of BP America.

Robertson said Chevron had spent $73 billion from 2002 to 2007. "We're working darn hard. We have a challenge to meet," he said. "So life is not easy."

Cleaver cited the companies' high share prices and said it didn't sound like much of a struggle.

"I didn't say it was a struggle," Robertson said. "I said we're working hard to solve a problem."

Across town before the hearing, Jeroen van der Meer, chief executive of Royal Dutch Shell, got a more polite hearing at the Center for Strategic and International Studies.
Van der Meer said high prices were "more about psychology and tensions" and "the lack of spare capacity" than about supplies. He noted there were no ships waiting for loadings and no lines at gasoline stations. "Supplies are okay," he said.

He warned, however, that energy demand would double by 2050 as the world's population increases by half and standards of living rise. "The easy oil and easy gas will not be sufficient," van der Meer said.

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